KINETIC TRANSACTION PROTOCOL

Addendum I: Threshold Sovereignty & Tiered Fee Architecture

Logos Anchor Framework | Addendum v1.0

Supplementary to Proposition v2.0

I. The Logical Gap in a Flat Fee Model

Proposition v2.0 established the Kinetic Fee as a micro-percentage applied to the digital movement of capital, replacing income tax with a utility-based revenue model. Under scrutiny, a uniform flat rate introduces a distributional asymmetry that conflicts with Axiom 3: Symmetrical Scrutiny.

A single rate applied uniformly across all transaction sizes is proportionally heavier on high-frequency low-value exchanges — the economic behaviour of individuals sustaining basic existence — than on infrequent large capital movements. An individual making hundreds of small daily purchases bears a structurally greater burden than a capital holder executing three large transfers of equivalent aggregate value. This is not symmetry. It is the inversion of it.

This addendum resolves that gap through two mechanisms: the Sovereign Threshold and the Tiered Fee Architecture.

II. The Sovereign Threshold

Axiom 4: Zero-Point Sovereignty of Basic Existence

The individual's capacity to sustain basic existence cannot be subject to state extraction under any model. The Kinetic Transaction Protocol derives its moral legitimacy from the principle that the State is a utility provider, not a landlord. A utility does not charge for the act of surviving — it charges for usage above the baseline.

The Sovereign Threshold establishes a minimum transaction floor below which no Kinetic Fee applies. All individual transactions — of any type — below this threshold are entirely exempt. The threshold is set at a level that covers reasonable subsistence expenditure: food, basic utilities, essential transport, and similar necessities.

This single mechanism resolves the distributional asymmetry entirely. The individual making hundreds of small survival transactions pays nothing. The capital holder executing large discretionary transfers pays on the full amount. Symmetry is restored.

III. Essential Goods Exemption

In addition to the transaction threshold, certain categories of goods and services are designated as Essential Goods and receive either a zero rate or a significantly reduced Kinetic Fee regardless of transaction size. This mirrors the logical basis of existing VAT exemptions on food and children's clothing — but applies that logic consistently within a framework that has already abolished income extraction at the source.

CATEGORY	FEE STATUS	RATIONALE
Basic foodstuffs	Zero rate	Sustenance is pre-political. The state has no claim.
Children's clothing	Zero rate	Future generation investment. Structural necessity.
Prescription medicines	Zero rate	Health sovereignty cannot be taxed.
Essential utilities (water, heating)	Reduced rate	Infrastructure of existence, not discretionary.
Public transport	Reduced rate	Enables labour mobility. System-positive externality.
Educational materials	Reduced rate	Investment in Logos. Structurally self-funding.
Standard transactions	Base Kinetic Fee	Normal commercial activity above threshold.
Large capital movements	Enhanced rate	High-value discretionary transfer. Full capacity to pay.

IV. Tiered Fee Architecture

The revised formula introduces a tiered rate structure replacing the single rate T in Proposition v2.0:

$$R = S(V_{below_threshold} \times 0) + S(V_{essential} \times T_{reduced}) + S(V_{standard} \times T_{base}) + S(V_{capital} \times T_{enhanced})$$

Where T(reduced) < T(base) < T(enhanced), and all transactions below the Sovereign Threshold contribute zero to state revenue regardless of category.

V. System Stability Under Economic Contraction

A uniform flat-rate model faces a structural vulnerability: during economic contraction, transaction velocity falls precisely when state expenditure obligations increase. The tiered architecture addresses this through asymmetric resilience.

Essential goods transactions — the most recession-resistant category of economic activity — carry a zero or reduced rate, meaning the floor of economic activity that sustains basic population welfare is structurally protected. Discretionary and capital transactions, which contract more sharply in downturns, carry the higher rates during periods of expansion, building

systemic reserve. The model is counter-cyclically more stable than income tax, which falls sharply with unemployment.

VI. Updated Systemic Advantages

DOMAIN	LEGACY OUTCOME	KTP v2.0 OUTCOME	ADDENDUM I REFINEMENT
Individual Autonomy	State owns first 45% of output.	Individual owns 100% of labour.	Survival transactions entirely exempt.
Distributional Fairness	Regressive at lower income levels.	Uniform fee regardless of size.	Threshold + tiering restores symmetry.
Essential Goods	VAT exemptions partially applied.	Single rate applied uniformly.	Zero/reduced rate on all essentials.
System Stability	Revenue falls with unemployment.	Revenue tied to transaction volume.	Essential floor protects baseline.

VII. Conclusion

The Sovereign Threshold and Tiered Fee Architecture do not alter the foundational logic of the Kinetic Transaction Protocol. They refine it. The state remains a utility. Labour sovereignty remains absolute. The point of extraction remains the velocity of exchange, not the act of working.

What this addendum establishes is that a logically coherent system must apply its own axioms consistently. Axiom 3 — Symmetrical Scrutiny — demands that risk, reward, and burden be proportionally balanced. A flat rate fails that test. A tiered architecture with a survival threshold passes it.

> *"The exemption of survival from taxation is not generosity. It is logic. A state that extracts from the act of eating has confused its role. It is not a partner in your existence. It is a utility you have not yet used."*